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ABSTRACT

Although self-employment is of interest to many salaried workers who wish to change careers or continue working past the usual retirement age, little is known about the experiences of those who have actually made such a change. Of the 2,326 salaried men who were between the ages of 45 and 59 when interviewed in 1966 as part of the National Longitudinal Survey of Mature Men, 13 percent were found, 12 years later, to have become self-employed at some time before 1978. Becoming self-employed was found to be related to a variety of sociodemographic, work history, and attitudinal variables. The transition rate to self-employment was higher for whites than for blacks, higher for white collar workers than for blue collar workers, and was most common among salespersons, managerial workers, and professionals. Only a minority of those who became self-employed succeeded in their new ventures. About half returned to salaried employment while many others left the labor force entirely. The findings suggest that those considering self-employment should realistically assess the financial resources they can afford to risk, their stamina and physical energy, and their managerial and marketing skills. (Author/NRB)

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BECOMING SELF-EMPLOYED IN MID AND LATE LIFE: PREDICTORS AND CONSEQUENCES

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ABSTRACT

Self- Employment is of interest to many salaried workers who wish to change careers or continue working past the usual age of retirement. However, very little is known about the experiences of those who have actually made such a change. The study therefore examined 2326 salaried men who were 45 to 59 when first interviewed as part of the National Longitudinal Survey. Over a 12 year period, 13% were found to have switched to self-employment. Becoming self-employed was found to be related to a variety of socio-demographic, work history, and attitudinal variables. Only a minority of those who became self-employed succeeded in their new ventures. About half later returned to salaried employments while many others just left the labor force entirely. The findings suggest that those considering self-employment should realistically assess the financial resources they can afford to risk, their stamina and physical energy, and their managerial and marketing skills. Other factors to consider in making a self-employment decision were also identified. Implications for pre-retirement planning and for older worker policy are discussed.

INTRODUCTION

Besides being part of the Great American Dream, there are a number of reasons why becoming self-employed might be of special interest to some middle-aged and older workers. Such a move can be a means of advancement in what has otherwise become a stalled career. Self-employment can also be a means of entering upon an entirely new second career. Being one's own boss also gives one greater flexibility in deciding the conditions and extent of one's continued labor force participation. Self-employment is often the only means of "flexible retirement" in which the hours or weeks worked can be gradually reduced. Furthermore, self-employment may be the only way of overcoming age discrimination or skill obsolescence often faced by displaced older workers seeking employment.

On the other hand one must face the obvious fact that self-employment carries a high risk of failure. For many middle-aged and older workers, the costs of such failure may be too high to justify a transition to self-employment. This is especially true if they are risking an irreplaceable job, their life's savings, or pension and other benefits which are contingent upon continued job tenure or seniority. Younger workers have more work years ahead of them in which to recover these losses. This is not true for middle-aged and older workers.

Given the potential benefits as well as risks of self-employment, it is important to examine what is currently known about persons who make a transition to self-employment in mid- or late- life. Unfortunately, it soon becomes apparent that very little is known about mid and late life self-employment in general and even less about those who become self-employed for the first time at this point in their lives. Studies of older workers have either excluded the self-employed or have combined them

with the more numerous group of salaried workers. In either case, no useful insights are provided into the characteristics which distinguish the self-employed from salaried workers in mid and late life. Rarer still are studies which examine those who first become self-employed later in their careers. Two noteworthy exceptions to this trend are the works of Fuchs (1981) and of Quinn (1980a; 1980b; 1981).

Fuchs followed the respondents of the Retirement History Study from 1969 through 1973. These were all men who were aged 58-63 at the time of the first observation. Over the four year period covered by the study only 4% of the salaried workers became self-employed. A number of characteristics were found which distinguished those who made a transition to self-employment from those who remained salaried. "It is quite clear that the men who switched to self-employment are primarily those who have had previous experience in self-employment or who are in wage and salary jobs that are similar in many respects to self-employment" (p.15). This would include managers, professionals, and salesmen, and the like who frequently have a good deal of discretion as to how they spend their time and whose compensation is often closely tied to their performance. Switchers were also more likely to have worked very long or very short weeks while they were salaried. They were also less likely to have accumulated pension rights while they were working. No differences were noted with respect to age, education, health, wages, and expected social security amounts. Fuchs also noted the greater opportunities provided by a transition to self-employment to gradually reduce one's weekly hours of work.

Quinn has been interested in retirement patterns following salaried or self-employment. Using the 1969 wave of the Retirement History Study respondents were classified as having been predominantly salaried workers,

self-employed workers, or "recently self-employed". The latter group, who had made a recent transition to self-employment, were more likely to be out of the labor force in 1969 and also to consider themselves "completely retired" than both career self-employed or salaried workers. Quinn interprets this as a consequence of the relatively high failure rate of new business ventures which forced the recently self-employed to leave the labor force entirely. Quinn also found that gradually reducing the amount of weeks or hours one worked was much more characteristic of the self-employed that salaried workers. He suggested that more salaried workers would also prefer such "partial retirement" if the option were available to them.

Despite their contributions, these two studies still leave many questions unanswered. It will be noted that both of the studies relied on the Retirement History Study. Consequently, their focus was on transitions to self-employment in the pre- and early-retirement years of 58 to 63. It is possible that the predictors and consequences of transitions at the stage of the worklife differ from transitions undertaken earlier. The extent to which the results can be generalized to middle-aged workers, such as those 45 or over, is therefore unclear. Furthermore, these studies provided only limited insight into the positive and negative consequences of transitions to self-employment. It was in order to fill these gaps in our knowledge that the present study was undertaken. The study followed a group of salaried men, initially aged 45 to 59, over a 12-year period. The major research questions addressed by the study were;

1. What socio-demographic, job, and attitudinal characteristics distinguish between salaried workers who switch to self-employment in mid or late life and those who do not?

2. To what extent is a mid or late life transition to self-employment related to perceived changes in one's work, to continued labor force participation, and to satifaction with the quality of one's life.

METHODS

Date Source

The data for study were taken from the National Longitudinal Survey (NLS) of Mature Men, a project conducted by Ohio State University on behalf of the Department of Labor. The NLS sample was selected to be representative of all males aged 45 to 59 in 1966, the year the first wave of interviewing was conducted. The present analysis was limited to the 2326 respondents who were non-farm, salaried workers in 1966 and who were interviewed on all eight waves of the study through 1978. Where necessary, adjustments were made in the sample weights to correct for oversampling and differential rates of attrition by race, education, and geographic mobility. More details regarding the sample can be found in the NLS Handbook (Center for Human Resource Research, 1982) and in Parnes (1981). All data reported herein have been weighted with the exception of the raw number of sample cases. These have been reported in parenthesis in order to give the reader an idea of the sample size upon which subsequent calculations were made.

Variables

Transition to Self-Employment. This refers to a change from salaried work in 1966 to subsequent self-employment on any of the interviews through 1978. In the case of a respondent holding two jobs, only the class of work at the major job was considered. A "transition rate" was calculated to reflect the percentage within each category of salaried workers who later become self-employed.

Socio-Demographic Characteristics. These were based on characteristics as of the start of the survey and included age, race, marital status, family income, family assets, work-limiting health conditions, and self-perceived health ratings.

Job Characteristics. This included standard occupation and industry categories, hours worked, and tenure on the job held in 1966. Also included was an item regarding whether they expected a pension, either from the 1966 job or from

any previous employment. A "previous self-employment" indicator was also developed and was based on whether the respondent had been self-employed on either his first, longest, or most recent job prior to 1966.

Attitudes Toward Work and Retirement. This consisted of attitudes to the specific job they held in 1966 and included questions regarding job satisfaction, whether this job was the best they ever held, and whether these were any conditions under which they would give up their job and accept a hypothetical job offer in their local area. Respondents were also asked to give all the reasons underlying their job satisfaction. Multiple responses were permitted and these were recorded into the single response categories of "extrinsic only", "both extrinsic and intrinsic", and "intrinsic only". Questions were also asked regarding the importance of work in general. This included an item on whether "liking the work" or "good wages" were more important. Also included was the question, "If by some chance, you were to get enough money to live comfortably without working, do you think you would work anyway?"

Perceived Changes in Work Over the Past Five Years. In 1978 NLS respondents were asked to reflect upon their worklife over the previous five years. Respondents were asked to evaluate changes in their job pressure, fatigue at the end of the work day, and in their ability to keep up with the pace of the job. They were also asked to assess their overall sense of progress they had made in their work lives.

Labor Force Participation. In 1978 persons were classified as being in the labor force if they were working, had a job, or were actively looking for work. Others were classified as being out of the labor force. Those in the labor force were further classified as being full-time if they usually worked 35 hours a week in a year-round job. Those working less than 35 hours per week or less then 52 weeks per year were considered as being in the labor force only part-time.

Life satisfaction. In 1978 respondents were asked "Taking things altogether, would you say you're very happy, somewhat happy. somewhat unhappy, or very unhappy these days." Similar questions were asked regarding their satisfaction with five specific areas of their lives; health, standard of living, leisure time activities, housing, and the local area they lived in.

ANALYSIS OF THE RESULTS

Characteristics Predictive of Transitions to Self-Employment

Of the salaried workers in 1966, 13% said they were self-employed on at least one of the subsequent surveys conducted through 1978. Thus, one

out of eight salaried workers was found to have switched to self-employment. The average age at which such a transition was reported was 58. At the time of the transition 27% were under 55, 35% were between 55 and 59, and 24% were between 60 and 64. Only 16% of those making a transition were over the traditional retirement age of 65. How did those who made transition to self-employment differ in 1966 from those who continued in salaried employment? This was the first focus of the analysis.

Socio-demographic Characteristics. No age or marital status differences were found between those who remained salaried and those who become self-employed (Table 1). The transition rate to self-employment was twice as high among whites as it was among blacks. The transition rate rose gradually with education, going from 9% among the least educated to 22% among those with some college. Financial status in 1966 proved to be a significant predictor of subsequent class transition. The highest rate of transition to self-employment was found among those with the highest reported incomes in 1966. Of all variables examined the best predictor of subsequent self-employment was assets. Among salaried workers who were able to accumulate assets of $50,000 or higher, 37% later switched to self-employment. Only 9% of those with less than $5000 worth of assets become self-employed. Undoubtedly, the accumulation of sizable assets enabled many salaried workers to undertake a later business venture. Health status variables in 1966 were unable to predict subsequent transitions to self-employment.

Job Characteristics. With the exception of clerical workers, the transition rate was higher among all categories of white collar workers than it was among all categories of blue collar workers (Table 2). In order of frequency, movement to self-employment was most common among

TABLE 1

DISTRIBUTION OF 1966 SOCIO-DEMOGRAPHIC CHARACTERISTICS BY SUBSEQUENT TRANSITION TO SELF-EMPLOYMENT
(In Percents)

SOCIO-DEMOGRAPHIC CHARACTERISTICS (In 1966)	TRANSITION TO SELF-EMPLOYMENT (1966-1978) Remained Salaried (n=2055)	Became Self-Employed (n=271)	Transition Rate *	P
TOTAL	100%	100%	13%	
AGE				
45 - 49	42	40	13	
50 - 54	34	33	13	
55 - 59	24	28	15	N.S.
RACE				
White	91	95	14	
Black	9	4	7	
Other	1	1	--	.01
MARITAL STATUS				
Married	92	92	13	
Non-Married	8	8	13	N.S.
EDUCATION				
Under 8th Grade	13	12	9	
8th Grade	16	10	9	
Some High School	22	12	8	
High School Grad	25	32	16	
Some College	18	33	22	.001
FAMILY INCOME				
Under $5,000	10	8	11	
$5,000 - $9,999	37	25	9	
$10,000 - $14,999	25	29	15	
Over $15,000	10	18	21	
Not Answered	18	20	14	.001
FAMILY ASSETS				
Under $5,000	24	15	9	
$5,000 - $14,999	27	17	8	
$15,000 - $24,999	15	10	19	
$25,000 - $49,999	10	16	19	
Over $50,000	5	19	37	
Not Answered	19	22	15	.001
HEALTH LIMITATIONS				
None	17	19	13	
Some	83	81	15	N.S.
HEALTH RATINGS				
Excellent	42	42	13	
Good	44	42	13	
Fair	13	15	14	
Poor	1	1	--	N.S.

(*)Percent of total in each category who later became self-employed.

salespersons, managerial workers, and professionals. The least likely to switch to self-employment were semi-skilled workers and laborers. Transition rates to self-employment were also found to vary by industry. Higher than average transition rates were found among those in the construction industry, retail or wholesale trades, and professional industries.

It should be noted that 59% of those who made a subsequent transition did so to an industry similar to the one in which they had been employed in 1966. Thus, most were able to transfer knowledge of their industry to later self-employment.

Those who switched to self-employment were twice as likely to have worked unconventional hours (i.e. under 35 or over 49) than were those who remained in salaried employment. This would indicate that self-employment attracted people who, by preference or necessity, worked extremely short or long hours per week.

The likelihood that one would switch to self-employment diminished as one achieved greater seniority on a job. Among salaried workers with less than five years on their job, 17% later became self-employed compared to 11% among those with 20 years to more. Since pension rights are usually related to tenure on the job it was not surprising to find that fewer of those who had been expecting a pension switched to self-employment than those who had no pension to look forward to. This indicates a reluctance to jeopardize future pension rights through a transition to self-employment. Furthermore, the data suggest that self-employment may be embarked upon as a means of ensuring a source of retirement income by those without pensions.

Another characteristic of those switching to self-employment was their greater likelihood of having been self-employed in some previous

TABLE 2

DISTRIBUTION OF 1966 JOB CHARACTERISTICS BY SUBSEQUENT TRANSITION TO SELF-EMPLOYMENT
(In Percents)

JOB CHARACTERISTICS (In 1966)	TRANSITION TO SELF-EMPLOYMENT (1966-1978) Remained Salaried (n=2055)	Became Self-Employed (n=271)	Transition Rate (*)	P
TOTAL	100%	100%	13%	
OCCUPATION				
White-Collar	35	53	19	
Professional	11	18	19	
Managers, Proprieters	12	22	22	
Clerical	17	3	7	
Sales	5	10	24	
Blue-Collar	65	47	10	
Craftsmen	28	28	13	
Operatives	24	10	6	
Service	7	6	11	
Laborers	7	4	7	.001
INDUSTRY				
Goods-Producing	51	43	11	
Manufacturing	39	27	10	
Construction	10	15	19	
Mining	1	0	--	
Service-Producing	49	57	15	
Trade/Retail/Wholesale	12	18	18	
Professional Services	8	11	17	
Transportation/Utilities	12	7	8	
Business/Repair Services	2	2	12	
Other Services	6	10	21	
Public Administration	10	10	14	.001
HOURS WORKED WEEKLY				
Under 35	2	4	25	
35 - 40	56	44	11	
41 - 48	23	18	10	
49 or Over	19	34	21	.001
TENURE				
Under 5 Years	25	34	17	
5 to 9 Years	15	12	11	
10 to 14 Years	14	13	12	
15 to 19 Years	13	13	13	
20 Years or More	33	28	11	.05
EXPECTING RETIREMENT PENSION				
Yes	72	59	11	
No	28	41	18	.001
PREVIOUSLY SELF-EMPLOYED				
Yes	14	25	21	
No	86	75	12	.001

(*) Percent of total in each category who later became self-employed.

occupation. The transition rate among the formerly self-employed was almost twice as high as those with no previous self-employment experience.

Work and Retirement Attitudes. No differences were noted between those who remained salaried and those who later became self-employed in terms of job satisfaction, whether they considered their job the best ever held, or whether they would accept an alternate job offer (Table 3). However, the content of their job satisfaction was clearly more important than its overall level. Only 8% of those who liked only the extrinsic aspects of their jobs switched to self-employment. However, 19% of those who liked their jobs only for intrinsic aspects later became self-employed. The transition rate of those who mentioned both intrinsic and extrinsic factors was in between these two extremes.

Obviously, transitions to self-employment may be undertaken to improve either intrinsic or extrinsic aspects of one's work or both. Nonetheless, it would seem that those who switched were more likely to value intrinsic rewards than those who did not switch. The transition rate was twice as high among those who said they would continue working even if they had enough money than it was among those who said they would stop working under such circumstances.

With respect to the expected age of retirement, a bi-modal trend emerged. Those who later became self-employed were more likely to say that either they would retire before 65 or that they would never retire at all. The transition rate of both these groups exceeded that of those who expected to retire at the traditional age of 65. This would indicate that the transition to retirement undertaken, in part, to control the timing of one's retirement.

TABLE 3

DISTRIBUTION OF 1966 WORK AND RETIREMENT ATTITUDES BY TRANSITION TO SELF-EMPLOYMENT
(In Percents)

WORK AND RETIREMENT ATTITUDES (In 1966)	TRANSITION TO SELF-EMPLOYMENT (1960-1978) Remained Salaried (n=2055)	Became Self-Employed (n=271)	Transition Rate (*)	P
TOTAL	100%	100%	13%	
JOB SATISFACTION				
Like it Very Much	56	58	14	
Like it Fairly Well	37	36	13	
Dislike it Somewhat	5	3	9	
Dislike it Very Much	2	3	3	N.S.
BEST JOB EVER HELD				
Current Job	62	62	13	
Prior Job	38	38	14	N.S.
ALTERNATE JOB OFFER				
Might Accept	36	37	13	
Would Not Accept	64	63	13	N.S.
JOB ASPECTS LIKED				
Extrinsic Only	25	13	8	
Extrinsic and Intrinsic	47	43	12	
Intrinsic Only	29	44	19	.001
MOST IMPORTANT IN ANY JOB				
Liking the Work	78	82	14	
Good Wages	22	18	11	N.S.
IF YOU HAD ENOUGH MONEY TO LIVE COMFORTABLY				
Would Continue Working	77	87	15	
Would Stop Working	23	13	8	.001
EXPECTED AGE OF RETIREMENT				
Before 65	26	30	15	
At 65	46	36	10	
After 65	6	5	12	
Won't Retire	9	13	17	
Unsure	13	16	15	.001

(*) Percent of total in each category who later became self-employed.

Consequences of a Transition to Self-Employment

Following a transition to self-employment, one of the more obvious questions which arises concerns the success or failure of the new enterprise. Did the business survive or fail? Unfortunately, this question could not be fully answered through secondary analysis of the NLS data. Indeed, it was found that 44% of those who made a switch to self-employment did, at some later point, revert to salaried employment. In most cases such a reversion was presumably indicative of a business failure. However, an unknown number of the remaining 56% may also have failed in their businesses. Such persons may have been unable or unwilling to resume salaried employment after their business failed. In that case, they may have either retired or left the labor force prematurely. They may also have tried another business venture in which case they would still be recorded as continuing in self-employment. Thus, the NLS data do not provide sufficient information to truly assess the failure rate of mid or late life businesses. However, one can safely assume that it is higher than the 44% who were known to have returned to salaried employment.

Another way of determining entreprenuerial success or failure is through examination of changes in the entreprenuer's income and assets. However, the analysis raised some serious questions regarding the reliability of the income and asset data provided by the self-employed. For example, whereas 30% of the self-employed in 1966 failed to provide income data, this was true of only 20% of the salaried workers. By similar proportions self-employed were more likely to withhold information regarding the value of their assets. The greater reluctance of the self-employed to respond to financial questions cause's some doubt about

the accuracy of the data provided even by those self-employed who did choose to respond. The fact that one's income and assets cannot be readily determined may, in fact, be one of the major consequences of a transition to self-employment.

Given the difficulties of determining the stability and financial consequences of becoming self-employed, the study focused on such consequences as perceived changes in one's work, continued labor force participation, and life satisfaction.

Perceived Changes in One's Work. In 1976 respondents who were still employed were asked to evaluate the changes they had experienced in their worklives over the previous five years (Table 4). Compared to those who had remained salaried throughout this period, those who switched to self-employment were somewhat more likely to say that had either progressed or moved backwards. Conversely, those who had remained salaried were more likely to say they had held their own.

A clear difference emerged with respect to changes in ability to keep up with the demands of one's work. Those who had become self-employed between 1971 and 1976 were more than twice as likely to say it had become harder for them to keep up than did those who continued in salaried work. Furthermore, those who switched to self-employment were also more likely to experience an increase in job fatigue at the end of the workday than their salaried colleagues. These findings suggest that a transition to self-employment made greater demands on physical health and energies than did continued salaried employment.

Despite greater physical demands, a transition to self-employment was no more likely to increase job pressure than continuing in salaried employment. In fact, those who became self-employed were actually more likely to experience a decrease job pressure than did those who did not

TABLE 4

PERCEIVED CHANGES IN ONE'S WORK OVER THE PAST FIVE YEARS
AMONG SALARIED WORKERS IN 1971 BY TRANSITION TO
SELF-EMPLOYMENT BETWEEN 1971 AND 1976
(In Percents)

PERCEIVED CHANGES	SALARIED WORKER IN 1971		P
	Salaried in 1976 (n=1222)	Self-Employed in 1976 (n=70)	
TOTAL	100%	100%	
OVERALL PROGRESS			
Progressed	45	52	
Held One's Own	50	35	
Moved Backward	5	13	.001
ABILITY TO KEEP UP			
Harder	16	35	
Unchanged	82	57	
Easier	2	8	.001
JOB FATIGUE			
Increased	46	56	
Unchanged	52	40	
Decreased	2	5	.05
JOB PRESSURES			
Increased	39	38	
Unchanged	52	40	
Decreased	9	21	.001

switch.

Continued Labor Force Participation. A major consequence of a transition to self-employment was found in regard to continued labor force participation. It will be recalled that there were no significant age differences in 1966 between those who subsequently remained salaried and those who became self-employed. One might, therefore, have assumed that labor force participation rates in 1978 would have been comparable for the two groups. However, this was clearly not so (Table 5). Whereas over half (52%) of those who remained salaried were entirely out of the labor force in 1978, this was true of only 28% of those who had switched to self-employment . While the rate of full-time employment was similar for the two groups, a major difference was found with respect to part-time employment. The rate of part-time employment was three times higher among those who had switched to self-employment as compared to those who remained salaried (33% vs. 11%). Thus, one of the major consequences of a transition to self-employed was the greater freedom it afforded to continue working past the usual age of retirement. The self-employment were more able to do so by gradually reducing their hours or weeks of work. Presumably, this option of gradual retirement was less available to those who were in salaried positions.

Life Satisfaction. The study sought to determine whether a transition to self-employment had any consequences on the quality of life. To this end, responses were examined to a series of questions asked in 1976 regarding the respondents' satisfaction with their lives in general and with their health, standard of living, leisure activities, housing, and with the areas in which they lived. It was felt that these responses might be affected by differences in continued labor force participation. Consequently, these responses of those who had remained salaried and those

TABLE 5

LABOR FORCE PARTICIPATION IN 1978 BY WHETHER REMAINED SALARIED OR BECAME SELF-EMPLOYED BETWEEN 1966-1978
(In Percents)

LABOR FORCE STATUS, 1978	CLASS TRANSITION 1966-1978	
	Remained Salaried (n=2055)	Became Self-Employed (n=271)
In Labor Force	48	72
Full-Time	37	39
Part-Time	11	33
Out of Labor Force	52	28

TABLE 6

SATISFACTION WITH SELECTED ASPECTS OF LIFE IN 1978
BY LABOR FORCE STATUS IN 1978
AND BY WHETHER SWITCHED TO SELF EMPLOYMENT
BETWEEN 1966 - 1978
(In Percent)

LABOR FORCE STATUS, 1978 / SWITCHED TO SELF-EMPLOYMENT 1966-1978 / SATISFACTION WITH	FULL-TIME		PART-TIME		OUT OF LABOR FORCE	
	NO (n=760)	YES (n=106)	NO (n=226)	YES (n=89)	NO (n=1069)	YES (n=76)
LIFE IN GENERAL						
Very Happy	58	57	58	53	53	54
Somewhat Happy	38	38	36	43	36	31
Somewhat Unhappy	3	5	6	4	9	10
Very Unhappy	1	1	0	0	2	5
HEALTH CONDITION						
Very Happy	58	62	52	44	35	37
Somewhat Happy	33	26	32	36	30	29
Somewhat Unhappy	8	11	13	16	23	15
Very Unhappy	2	2	4	5	11	19
STANDARD OF LIVING						
Very Happy	50	59	44	46	39	41
Somewhat Happy	44	32	45	50	48	43
Somewhat Unhappy	5	9	9	3	10	15
Very Unhappy	1	0	2	2	3	0
		(*)				
LEISURE ACTIVITIES						
Very Happy	48	44	48	49	44	54
Somewhat Happy	41	37	42	34	40	25
Somewhat Unhappy	9	16	9	12	11	13
Very Unhappy	2	3	2	4	4	8
						(*)
HOUSING						
Very Happy	65	69	66	60	60	68
Somewhat Happy	31	25	30	33	33	17
Somewhat Unhappy	3	5	3	7	5	11
Very Unhappy	1	1	1	0	2	5
						(**)
AREA LIVED IN						
Very Happy	62	78	68	63	61	60
Somewhat Happy	30	19	23	27	31	27
Somewhat Unhappy	6	3	6	10	7	10
Very Unhappy	2	0	3	0	1	3
		(**)				

(*) P. < .05 (**) P. < .01

who had become self-employed were also analyzed separately by whether they were employed full-time, part-time, or were entirely out of the labor force (Table 6).

On the two most important items, satisfaction with one's health, no differences were found between those who remained salaried and those who became self-employed. This was true regardless of level of labor force participation. With respect to satisfaction with standard of living, a slight difference was found favoring the self-employed only among those still working full-time. The self-employed were also found to be slightly more satisfied with their leisure activities and their housing. However, this was true only among those entirely out of the labor force. The self-employed who were still working full-time were more likely to be satisfied with the area in which they lived in compared to their salaried colleagues. However, this latter difference was not found among those working part-time or among those entirely out of the labor force.

In summary, of the 18 comparisons examined (six satisfaction items by three labor force participation categories) only four reached statistical significance beyond the .05 level. In all these cases the self-employed expressed greater satisfaction, albeit by a small margin. The data suggest that while a transition to self-employment is not likely to affect one's overall satisfaction with life in general or with one's health, it can lead to improved satisfaction for some in selected aspects of life.

Conclusions and Recommendations:

1. On a policy level, promoting self-employment is unlikely to have a major impact in alleviating the widespread problems faced by older workers and job seekers. Only a small minority of salaried workers ever become self-employed. Of these, only a minority succeeded.

Consequently, it would be irresponsible to hold out the promise of self-employment as a realistic way of dealing with such ubiquitous problems as age discrimination or skill obsolescence. Nonetheless, self-employment or small business formation should be included in any overall policy approach to the problems of older workers. Such a comprehensive policy should place greater emphasis on the need to combat age discrimination and for re-training to overcome skill obsolescence. Self-employment should be seen as supplementing these efforts and should be directed to the minority of older workers for whom it is most appropriate.

2. Given all the skills and knowledge needed for successful self-employment, there is an obvious need for training and education. There have been growing numbers of community and four-year colleges offering undergraduate courses in entrepreneurship. More such courses should also be offered in a wider variety of settings including continuing education and lifelong learning programs. This would make such training more accessible to the middle-aged and older person considering a transition to self-employment. Such education should make use of teaching strategies and curricular materials appropriate for the middle aged and older student. Drawing upon life experiences and identifying transferable skills would be most appropriate for such entrepreneurial training.

3. There is a clear need for additional research in the area of senior entrepreneurship. The research of Quinn, Fuchs, and of the present study were all based on secondary analysis of surveys designed largely around the concerns of salaried workers. As such, they failed to explore in sufficient detail the issues of greatest

relevance to those concerned with succeeding in self-employment. To date, little is known about the types of businesses most suitable for self-employment in mid or late life, the characteristics and strategies used by those who are successful, how to transfer past work and life skills, and how best to train middle-aged and older persons in the new skills required by entrepreneurship. Only primary data collection, based on persons who undertake self-employment in mid and late-life, would be able to answer these questions. Such a study could develop a typology of different categories of self-employment and identify the varying criteria and correlates of success. Such information will enable persons considering self-employment to make much more enlightened decisions than possible with the limited data currently available.

4. On an individual level, those considering self-employment should be realistic in their expectations. Self-employment can provide opportunities for intrinsic job satisfaction not otherwise available. A switch to self-employment can also benefit those strongly committed to prolonging their stay in the labor force. In this case, a transition to self-employment is more likely to result in continued work opportunities, especially on a part-time basis, than is salaried employment. Nonetheless, these advantages need to be weighed against the high risk of failure and high level of demands associated with self-employment. Furthermore, no evidence was found that a switch to self-employment contributed to overall satisfaction with the quality of one's life. Satisfaction with one's standard of living seemed to have increased among self-employed still working full-time. However, it should be noted that for the average person self-employment produces less income

than is usually derived through salaried employment (Fain, 1980).

5. Those considering a transition to self-employment should honestly assess their knowledge of the specific industry they wish to enter. In the present study, transitions to self-employment most often took place in the same industry in which one had been formerly employed. In addition, potential entrepreneuers should assess their skills in management and marketing. In the present study workers in managerial and marketing occupations were found most likely to switch to self-employment. Limiting oneself to excellence at a specialized skill may be appropriate for salaried workers within a larger organization. In that case, others can be called upon for the required management and sales skills. This is not true when one makes a transition to self-employment. Very quickly, the newly self-employed person is likely to be confronted with a wider variety of management tasks than ever faced in former salaried employment. Weinrauch (1980) cautions that "For some, it may then be too late to develop the varied skilled required of a multifunctional manager." Managerial skills are best developed prior to the transition rather than after it has taken place.

6. Those considering a transition to self-employment should also realistically assess their financial situation. Not surprisingly, transitions were found to be more frequent when undertaken by those with more accumulated assets. Financial planning is essential for the self-employed of any age. However, it becomes particularly important for those nearing retirement age. In light of the high failure rate, it would seem prudent not to invest one's essential assets in a new business. This is especially true if these assets must also provide the major portion of one's retirement income. One

must also avoid being unrealistic in budgeting the assets to be required by the business. Often, too little assets are kept in reserve to meet unforeseen operating expenses or emergencies.

7. Those considering a transition to self-employment should realistically assess their level of physical health, energy, and stamina. The data show self-employment to make great demands on these personal resources. Longer hours, greater fatigue, and greater difficulty in keeping up with the pace of the work were found much more characteristic of the self-employed. When first starting a small business, much of the physical labor needs to be done personally by the new entrepreneur. At a minimum, a thorough physical examination prior to a transition to self-employment should be obtained.

8. Although the exact extent of self-employment failure could not be determined, it was quite high. Consequently, those who have doubts about their level of managerial, financial, physical or other required abilities should consider ways of testing and developing them prior to severing their job ties. Weinrauch (1980) recommends developing a sideline enterprise as a sound and comparatively safe means of pre-testing a transition to self-employment. By moonlighting, this could be done without giving up one's current job. Those in larger companies may be able to arrange a leave of absence in order not to completely sever their occupational ties. Among the benefits of such a test period are that it provides an opportunity to learn about oneself, see if other family members are supportive, avoid a sudden loss of income, develop important contracts, and learn basic management skills.

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